

**Foster Township
Ogemaw County, Michigan**

**Financial Report
With Supplemental Information
March 31, 2006**

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name FOSTER TOWNSHIP	County OGE MAW
Audit Date 3/31/06	Opinion Date 9/2/06	Date Accountant Report Submitted to State: 9/15/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

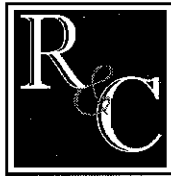
We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASL GU).			✓

Certified Public Accountant (Firm Name) ROBERTSON & CARPENTER CPAs, P.C.			
Street Address 103 E MAIN STREET, PO BOX 69		City ROSE CITY	State MI
		ZIP 48654	
Accountant Signature <i>Rodney Robertson, CPA</i>			Date 9/15/06

Foster Township
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ROBERTSON & CARPENTER CPAs, P.C.

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Rodney C. Robertson, CPA

Robert J. Carpenter, CPA

INDEPENDENT AUDITOR'S REPORT

Township Board
Foster Township
Ogemaw County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Foster Township as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Foster Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund balance information of Foster Township as of March 31, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 8 and pages 23 through 24 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Foster Township's basic financial statements. The accompanying pages of other supplementary information, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Robertson & Carpenter CPAs, P.C.

Robertson & Carpenter CPAs, P.C.
September 2, 2006

Management's Discussion and Analysis

As management of Foster Township (the "Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2006.

Financial Highlights

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$425,304 (*net assets*). Unrestricted net assets for the governmental activities were \$194,225. This amount represents the part of net assets that is available to finance day-to-day operations of the Township.
- The Township's total net assets increased by \$17,660.
- As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$199,138, an increase of \$25,880 in comparison with the prior year. The General Fund balance is \$157,454 at March 31, 2006, 79% of the total fund balances. The fund balance in the Fire Fund is \$23,247. The fund balance in other non-major governmental funds total \$18,437.
- At the end of the current fiscal year, unreserved and undesignated fund balance for the general fund was \$134,666 or 100% percent of total general fund expenditures. The Board has designated \$22,788 of fund balance for specific purposes.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., accrued interest payable).

Both of the government-wide financial statements present functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Township include general government, public safety, public works, and recreation and culture. The Township has no business-type activities as of and for the year ended March 31, 2006.

The government-wide financial statements can be found on pages 9-10 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Fire Fund.

The Township adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided for the General Fund and Fire Fund herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 11-12 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are *not* reflected in the Government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Tax Collection fund is the only fiduciary fund. There are no assets or liabilities in the Tax Collection Fund at March 31, 2006.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15-22 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Township, assets exceeded its liabilities by \$425,304 at the close of the most recent fiscal year.

A portion of the Township's net assets (54%) reflects its investment in capital assets (e.g., infrastructure, land, buildings, and equipment); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to the community; consequently, these assets are *not* available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Township's Net Assets

	Governmental Activities	
	2006	2005
Current and Other Assets	\$ 208,598	\$ 177,651
Capital Assets, Net	317,241	335,533
Total Assets	\$ 525,839	\$ 513,184
Current Liabilities	\$ 14,373	\$ 9,849
Non Current Liabilities		
Due Within One Year	10,139	9,529
Due in More Than One Year	76,023	86,162
Total Liabilities	100,535	105,540
Net Assets:		
Invested in Capital Assets, Net of Related Debt	231,079	239,842
Unrestricted	194,225	167,802
Total Net Assets	\$ 425,304	\$ 407,644

The Township's net assets increased by \$17,660 during the current fiscal year. Unrestricted net assets—the part of net assets that can be used to finance day to day operations, increased by \$26,423, or 15%, during the fiscal year ended March 31, 2006.

Township's Changes in Net Assets

	Governmental Activities	
	<u>2006</u>	<u>2005</u>
Revenue:		
Program Revenue:		
Charges for services	\$ 31,399	\$ 29,588
Operating Grants and Contributions	2,543	470
General Revenue:		
Property Taxes	103,913	101,124
State-Shared Revenues	62,071	59,738
Interest Earnings	3,207	845
Other	<u>2,469</u>	<u>3,940</u>
Total Revenue	\$ 205,602	\$ 195,705
Expenses:		
General Government	\$ 78,509	\$ 78,726
Public Safety	52,530	49,053
Public Works	39,327	36,015
Recreation and Culture	11,992	13,217
Interest	<u>5,584</u>	<u>6,190</u>
Total Expenses	\$ 187,942	\$ 183,201
Increase in Net Assets	17,660	12,504
Net Assets, Beginning of Year	<u>407,644</u>	<u>395,140</u>
Net Assets, End of Year	\$ <u>425,304</u>	\$ <u>407,644</u>

Governmental activities. The Township's total governmental revenues increased by \$9,897 from last fiscal year. The increase in property tax revenue for the year was \$8,410. Expenses increased by \$4,741. The increase was primarily due an increase in public safety expenses of \$3,477.

Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$199,138, an increase of \$25,880 in comparison with the prior year. The General Fund portion of the fund balance is \$157,454, which is available for spending at the Township's discretion. The remainder of the fund balance consists of Fire Fund of \$23,247, Road Fund of \$6,175 and Parks & Recreation Fund of \$12,270.

The general fund is the principal operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the general fund was \$157,454. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. The entire General Fund balance is unreserved and represents approximately 100% of total general fund expenditures.

The fund balance of the General Fund increased by \$23,797 during the current fiscal year.
The fund balance of the Fire Fund increased by \$4,794 during the current fiscal year.
The fund balance of the non-major funds decreased by \$2,711 during the current fiscal year.

General Fund Budgetary Highlights

The Township's budgets are prepared in accordance with Michigan Law. The most significant budgeted funds are the General Fund and Fire Fund. The General Fund budget amendments were made in accordance with statutory authority during the year.

Capital Asset and Debt Administration

Capital assets. The Township's investment in capital assets for its governmental activities as of March 31, 2006, amounted to \$317,241 (net of accumulated depreciation). Investment in capital assets includes land, infrastructure, vehicles and equipment. Additions for the fiscal year totaled \$17,097.

Township's Capital Assets (net of depreciation)

Land	\$	39,019
Land improvements		3,398
Buildings and improvements		113,200
Furniture and Equipment		<u>161,624</u>
 Total	 \$	 <u>317,241</u>

Additional information on the Township's capital assets can be found in note 5 on pages 20-21 of this report.

Factors Bearing on the Township's Future

The following factors were considered in preparing the Township's budget for the 2006-2007 fiscal year:

- The State of Michigan has made significant cuts in their operating budgets due to a downturn in the economy. For 2005-2006, the Township received \$56,450 in state shared revenue, representing 33% of the revenues in the General Fund. The amounts of state shared revenues for future periods are uncertain and will affect the Township's budgets. Our budgets were prepared with these factors in mind and will be revised as needed.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Foster Township
Clerk's Office
1968 Clear Lake Road
West Branch, MI 48661

Foster Township
Statement of Net Assets
March 31, 2006

	<u>Governmental Activities</u>
Assets	
Cash (Note 3)	\$ 193,341
Due from governmental units	15,257
Capital assets-net (Note 5)	<u>317,241</u>
 Total assets	 <u>525,839</u>
 Liabilities	
Accounts payable	8,080
Accrued and other liabilities	6,293
Noncurrent liabilities (Note 7):	
Due within one year	10,139
Due in more than one year	<u>76,023</u>
 Total liabilities	 <u>100,535</u>
 Net Assets	
Invested in capital assets, net of related debt	231,079
Unrestricted	<u>194,225</u>
 Total net assets	 \$ <u><u>425,304</u></u>

See accompanying notes

Foster Township
Statement of Activities
Year ended March 31, 2006

Functions/Programs	Expenses	Program Revenues		Governmental Activities Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants	
Governmental Activities				
General government	\$ 78,509	\$ 7,023	\$ 339	\$ (71,147)
Public safety	52,530	5,569	2,204	(44,757)
Public works	39,327	18,807	-	(20,520)
Recreation and culture	11,992	-	-	(11,992)
Interest on long term debt	5,584	-	-	(5,584)
Total governmental activities	\$ <u>187,942</u>	\$ <u>31,399</u>	\$ <u>2,543</u>	\$ <u>(154,000)</u>
General Revenues:				
Property taxes				103,913
State-shared revenues				62,071
Interest and investment earnings				3,207
Other				<u>2,469</u>
Total general revenues				<u>171,660</u>
Change in Net Assets				17,660
Net assets - beginning of year				<u>407,644</u>
Net assets - end of year				\$ <u><u>425,304</u></u>

See accompanying notes

Foster Township
Governmental Funds
Balance Sheet
March 31, 2006

	General Fund	Fire Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 148,883	\$ 26,013	\$ 18,445	\$ 193,341
Due from other funds	971	-	-	971
Due From other governmental units	13,345	1,912	-	15,257
Total assets	<u>\$ 163,199</u>	<u>\$ 27,925</u>	<u>\$ 18,445</u>	<u>\$ 209,569</u>
Liabilities				
Accounts payable	\$ 4,365	\$ 3,707	\$ 8	\$ 8,080
Accrued and other liabilities	1,380	-	-	1,380
Due to other funds	-	971	-	971
Total liabilities	<u>5,745</u>	<u>4,678</u>	<u>8</u>	<u>10,431</u>
Fund balances				
Unreserved:				
General Fund	134,666	-	-	134,666
Special Revenue Funds	-	23,247	18,437	41,684
Designated	22,788	-	-	22,788
Total fund balances	<u>157,454</u>	<u>23,247</u>	<u>18,437</u>	<u>199,138</u>
Total liabilities and fund balances	<u>\$ 163,199</u>	<u>\$ 27,925</u>	<u>\$ 18,445</u>	<u>\$ 209,569</u>
Fund Balances - Total Governmental Funds				\$ 199,138
Elimination of due to and due from governmental funds				
Due to				971
Due from				(971)
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial financial resources, and are not reported in the funds.				
The cost of capital assets is			\$ 667,374	
Accumulated depreciation is			<u>(350,133)</u>	
				317,241
Long term liabilities are not due and payable in the current period and are not reported in the fund				
Installment purchase				(86,162)
Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental fund until paid				(4,913)
Net Assets of Governmental Activities				<u>\$ 425,304</u>

See accompanying notes

Foster Township
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended March 31, 2006

	General Fund	Fire Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes and penalties	\$ 85,079	\$ 18,834	\$ -	\$ 103,913
Federal grants	339	204	-	543
State grants	56,450	2,000	5,621	64,071
Charges for services	20,607	5,467	-	26,074
Interest and rentals	2,813	123	436	3,372
Reimbursements	6,949	102	-	7,051
Other	510	-	68	578
Total revenues	<u>172,747</u>	<u>26,730</u>	<u>6,125</u>	<u>205,602</u>
Expenditures				
Current:				
General government	73,862	-	-	73,862
Public safety	-	23,880	-	23,880
Public works	39,327	-	-	39,327
Recreation and culture	6,353	-	3,547	9,900
Capital outlay	14,697	2,400	-	17,097
Debt service:				
Principal retirement	-	9,529	-	9,529
Interest	-	6,127	-	6,127
Total expenditures	<u>134,239</u>	<u>41,936</u>	<u>3,547</u>	<u>179,722</u>
Excess of Revenue Over (under)				
Expenditures	38,508	(15,206)	2,578	25,880
Other Financing Sources (Uses)				
Transfers in (Note 4)	5,289	20,000	-	25,289
Transfers out (Note 4)	(20,000)	-	(5,289)	(25,289)
Total other financing sources (uses)	<u>(14,711)</u>	<u>20,000</u>	<u>(5,289)</u>	<u>-</u>
Net Change in Fund Balances	23,797	4,794	(2,711)	25,880
Fund balances - Beginning of year	<u>133,657</u>	<u>18,453</u>	<u>21,148</u>	<u>173,258</u>
Fund balances - End of year	<u>\$ 157,454</u>	<u>\$ 23,247</u>	<u>\$ 18,437</u>	<u>\$ 199,138</u>

See accompanying notes

Foster Township
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
Year ended March 31, 2006

Net Change in Fund Balances - Total Governmental Funds	\$	25,880
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Amounts reported for governmental activities are different because:

Government funds report capital outlays as expenditures;
in the statement of activities these costs are allocated
over their estimated useful lives as depreciation.

Depreciation expense	\$	(35,389)	
Capital Outlay		<u>17,097</u>	(18,292)

Accrued interest is recorded in the statement of activities when incurred, it is not reported in governmental funds until paid		543
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Repayments of installment purchases principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)		<u>9,529</u>
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Change in Net Assets of Governmental Activities	\$	<u><u>17,660</u></u>
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See accompanying notes

Foster Township
Fiduciary Funds
Statement of Net Assets
March 31, 2006

		Agency Funds - Tax Fund	
Assets			
Cash		\$	-
	Total assets	\$	0
Liabilities			
Due to other funds		\$	-
Due to other governments			-
	Total liabilities	\$	0

See accompanying notes

Foster Township
Notes to Financial Statements
March 31, 2006

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Foster Township ("the Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the more significant policies used by the Township:

Reporting Entity

The Township is governed by an elected five member Township Board. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Township's reporting entity, and which organizations are legally separate, component units of the Township. Based on the application criteria, the Township does not contain any component units.

Government-wide and Fund Financial Statements

The Government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a certain function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Foster Township
Notes to Financial Statements
March 31, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, state-shared revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when the cash is received by the Township.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund.

The Fire Fund is used to record property tax revenue, interest earnings and other revenue restricted for fire protection purposes.

Additionally, the Township reports the following funds:

The Tax Collection Fund accounts for property taxes collected and disbursed to other taxing authorities by the Township as required by law.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers for goods, services or privileges provided and (2) operating grants and contributions. General revenue includes all taxes.

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Foster Township
Notes to Financial Statements
March 31, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between fund that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The taxpayers of the Township have their properties assessed as of December 31 and the related property taxes are levied and become a lien on December 1 for 100% of the taxes which are due February 28. The 2005 taxable value of the Township was \$37,363,284. The 2005 tax levy was 0.8308 mills for general operating purposes and .5000 for the Fire Fund, raising \$31,295 for general operating purposes and \$18,834 for fire protection purposes.

Inventories and Prepaid items - Inventories are not significant amounts at year end. Inventory is recorded as expenditures when purchased. Payments to vendors reflecting costs applicable to future fiscal years are recorded as prepaid items in both government wide and fund financial statements, if applicable.

Capital Assets - Capital assets, which include land, buildings, equipment, and infrastructure assets (e.g., amounts paid to the Road Commission for the intangible right to use the roads), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation. Infrastructure assets acquired prior to implementation of GASB 34 are not included in the financial statements.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Infrastructure	20 years
Buildings and additions	50 years
Vehicles	5 years
Office furnishings	5-20 years
Other equipment	5-20- years

Compensated Absences - There is no liability for compensated absences reported in the government-wide financial statements since no township employees are provided with sick or vacation pay benefits.

Foster Township
Notes to Financial Statements
March 31, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs are reported as other bond expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriating or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data/Reclassifications - Comparative data is not included in the Township's financial statements.

The fund financial statements focus on major funds rather than fund types.

Note 2 - Stewardship, Compliance and Accountability

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Township adopt its budgets by April 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits Townships to amend its budget during the year. During the year, the budgets were amended in a legally permissible manner.

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until the receipt of materials or services. For budgetary purposes, appropriations lapse at fiscal year end and outstanding encumbrances are reappropriated in the next year.

Foster Township
Notes to Financial Statements
March 31, 2006

Note 2 - Stewardship, Compliance and Accountability (Continued)

Excess of Expenditures Over Appropriations in Budgeted Funds - The Township incurred expenditure variances as follows:

<u>Fund and Function</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
<u>General Fund:</u>			
Public works	\$ 37,376	\$ 39,327	\$ 1,951
Capital outlay	13,174	14,697	1,523
 <u>Fire Fund:</u>			
Public safety	19,084	23,880	4,796

Note 3 - Deposits and Investments

At year-end the Township's deposits and investments were deposited in the basic financial statements in the following categories:

<u>Government-wide Financial Statement Captions:</u>	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Township Total</u>
Cash and cash equivalents	\$ 193,341	\$ -	\$ 193,341
Total	<u>\$ 193,341</u>	<u>\$ 0</u>	<u>\$ 193,341</u>

The Township deposits at March 31, 2006 were:

Deposits (checking, savings and certificates of deposit)	\$ 193,341
	<u>\$ 193,341</u>

Interest rate

In accordance with its investment policy, the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by: investing operating funds primarily in shorter term securities and limiting the average maturity in accordance with the Township's cash requirements.

Credit risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRPs). The Township has no investments for which ratings are required.

Foster Township
Notes to Financial Statements
March 31, 2006

Note 3 - Deposits and Investments (Continued)

Custodial credit risk - deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. State law does not require and the Township does not have a policy for deposit custodial risk. At March 31, 2006, none of the Township's bank balances of \$193,399 was exposed to custodial credit risk because it was uninsured.

The Township is authorized to designate depositories for Township funds, and to determine that the funds are invested in accordance with State of Michigan statutory authority.

The Township's deposits are in accordance with statutory authority.

Note 4 - Receivables

There are no accounts receivable as of year-end for the Township's individual major funds.

Note 5 - Capital Assets

Capital assets activity of the Township's Governmental activities were as follows:

	Balance April 1, 2005	Additions	Deletions	Balance March 31, 2006
Capital assets not being depreciated:				
Land	\$ 39,019	\$ -	\$ -	\$ 39,019
Capital assets being depreciated:				
Land improvements	11,364	-	-	11,364
Buildings	142,018	12,034	-	154,052
Furniture & equipment	457,876	5,063	-	462,939
Subtotal	<u>650,277</u>	<u>17,097</u>	<u>-</u>	<u>667,374</u>
Accumulated Depreciation				
Land improvements	7,398	568	-	7,966
Buildings	37,064	3,788	-	40,852
Furniture & equipment	270,282	31,033	-	301,315
Subtotal	<u>314,744</u>	<u>35,389</u>	<u>-</u>	<u>350,133</u>
Net capital assets being depreciated	<u>335,533</u>	<u>(18,292)</u>	<u>-</u>	<u>317,241</u>
Governmental Activities Total Capital Assets net of Depreciation	<u>\$ 335,533</u>	<u>\$ (18,292)</u>	<u>\$ 0</u>	<u>\$ 317,241</u>

Foster Township
Notes to Financial Statements
March 31, 2006

Note 5 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 4,647
Public safety	28,650
Recreation and culture	2,092
Total governmental activities	<u>\$ 35,389</u>

Note 6 - Receivables, Payables and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>		<u>Payable Fund</u>		<u>Amount</u>
General Fund	\$ 971	General Fund	\$ -	
Fire Fund	-	Fire Fund	971	
Total	<u>\$ 971</u>	Total	<u>\$ 971</u>	

<u>Transfer In</u>		<u>Transfer Out</u>		
General Fund	\$ 5,289	General Fund	\$ 20,000	
Fire Fund	20,000	Fire Fund	-	
Nonmajor Governmental	-	Nonmajor Governmental	5,289	
Total	<u>\$ 25,289</u>	Total	<u>\$ 25,289</u>	

Note 7 - Long-term Debt

The individual fund long-term debt of Foster Township, and the changes therein, may be summarized as follows:

Fire truck installment purchase agreement

Interest rate - 5.96% per annum

Annual payments of \$15,656 payable to Kansas State Bank, beginning April 1, 2001
Payable in full on April 1, 2012.

Beginning balance April 1, 2005	\$ 95,691
Additions	-
Reductions	<u>(9,529)</u>
Ending balance March 31, 2006	<u>\$ 86,162</u>
Due Within One Year	<u>\$ 10,139</u>

Foster Township
Notes to Financial Statements
March 31, 2006

Note 7 - Long-term Debt (Continued)

INSTALLMENT PURCHASE

Annual debt service requirements to maturity for the Installment purchases are as follows:

Year Ended March 31,	Governmental Activities		
	Principal	Interest	Total
2007	\$ 10,139	\$ 5,517	\$ 15,656
2008	10,789	4,868	15,657
2009	11,479	4,177	15,656
2010	12,214	3,442	15,656
2011	12,997	2,660	15,657
2012	13,829	1,828	15,657
2013	14,715	942	15,657
Total	<u>\$ 86,162</u>	<u>\$ 23,434</u>	<u>\$ 109,596</u>

Note 8 - Risk Management

Foster Township is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from independent insurance companies. Settled claims from these risks have not exceeded insurance coverage for the last three years.

Note 9 - Designated Fund Balance

The Township Board has designated \$20,006 in the General Fund for maintenance expenditures and \$2,782 in the General Fund for Cemetery expenditures.

Required Supplemental Information

Foster Township
Budgetary Comparison Schedule - General Fund
Year ended March 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Fund Balance - Beginning of year	<u>\$ 132,263</u>	<u>\$ 132,263</u>	<u>\$ 133,657</u>	<u>\$ 1,394</u>
Resources (Inflows)				
Taxes and fees	82,126	90,821	85,079	(5,742)
Federal Grants	144	300	339	39
State-shared revenues	54,221	51,237	56,450	5,213
Charges for services	20,005	19,576	20,607	1,031
Interest and rentals	583	2,468	2,813	345
Reimbursements	875	3,127	6,949	3,822
Other	500	4,332	510	(3,822)
Transfers from other funds	-	7,205	5,289	(1,916)
Amounts available for appropriation	<u>158,454</u>	<u>179,066</u>	<u>178,036</u>	<u>(1,030)</u>
Charges to Appropriations (Outflows)				
General government	74,150	75,468	73,862	1,606
Public works	39,000	37,376	39,327	(1,951)
Recreation and culture	6,230	6,353	6,353	-
Capital outlay	10,000	13,174	14,697	(1,523)
Transfers to other funds	20,000	20,000	20,000	-
Total charges to appropriations	<u>149,380</u>	<u>152,371</u>	<u>154,239</u>	<u>(1,868)</u>
Fund Balance - end of year	<u>\$ 141,337</u>	<u>\$ 158,958</u>	<u>\$ 157,454</u>	<u>\$ (1,504)</u>

Foster Township
Budgetary Comparison Schedule - Fire Fund
Year ended March 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Fund Balance - Beginning of year	\$ 13,629	\$ 13,629	\$ 18,453	\$ 4,824
Resources (Inflows)				
Taxes and fees	18,125	18,251	18,834	583
Federal Grants	-	-	204	204
State Grants	-	-	2,000	2,000
Charges for services	1,150	5,457	5,467	10
Interest and rentals	71	103	123	20
Reimbursements	-	102	102	-
Transfer from other funds	20,000	20,000	20,000	-
Amounts available for appropriation	<u>39,346</u>	<u>43,913</u>	<u>46,730</u>	<u>2,817</u>
Charges to Appropriations (Outflows)				
Public safety	19,194	19,084	23,880	(4,796)
Capital outlay	-	4,041	2,400	1,641
Debt service	15,656	15,656	15,656	-
Transfers to other funds	1,916	1,916	-	1,916
Total charges to appropriations	<u>36,766</u>	<u>40,697</u>	<u>41,936</u>	<u>(1,239)</u>
Fund Balance - end of year	<u>\$ 16,209</u>	<u>\$ 16,845</u>	<u>\$ 23,247</u>	<u>\$ 6,402</u>

Other Supplemental Information

Foster Township
Nonmajor Governmental Funds
Combining Balance Sheet
March 31, 2006

	<u>Special Revenue Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Road Fund</u>	<u>Parks & Recreation</u>	
Assets			
Cash and investments	\$ <u>6,175</u>	\$ <u>12,270</u>	\$ <u>18,445</u>
Total assets	\$ <u><u>6,175</u></u>	\$ <u><u>12,270</u></u>	\$ <u><u>18,445</u></u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ <u>-</u>	\$ <u>8</u>	\$ <u>8</u>
Total liabilities	<u>-</u>	<u>8</u>	<u>8</u>
Fund Balances:			
Unreserved	<u>6,175</u>	<u>12,262</u>	<u>18,437</u>
Total fund balance	<u>6,175</u>	<u>12,262</u>	<u>18,437</u>
Total liabilities and fund balances	\$ <u><u>6,175</u></u>	\$ <u><u>12,270</u></u>	\$ <u><u>18,445</u></u>

Foster Township
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Year ended March 31, 2006

	<u>Special Revenue Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Road Fund</u>	<u>Parks & Recreation</u>	
Revenue			
State grants	\$ 5,621	\$ -	\$ 5,621
Interest and rentals	37	399	436
Other	-	68	68
	<u>5,658</u>	<u>467</u>	<u>6,125</u>
Total revenue			
	<u>5,658</u>	<u>467</u>	<u>6,125</u>
Expenditures			
Recreation and culture	-	3,547	3,547
	<u>-</u>	<u>3,547</u>	<u>3,547</u>
Total expenditures			
	<u>-</u>	<u>3,547</u>	<u>3,547</u>
Excess of Revenue Over (Under) Expenditures	5,658	(3,080)	2,578
Other Financing Sources (Uses)			
Transfers in (out)	(5,289)	-	(5,289)
Total other financing sources (uses)	<u>(5,289)</u>	<u>-</u>	<u>(5,289)</u>
Net Change in Fund Balances	369	(3,080)	(2,711)
Fund Balances - Beginning of year	<u>5,806</u>	<u>15,342</u>	<u>21,148</u>
Fund Balances - End of year	<u>\$ 6,175</u>	<u>\$ 12,262</u>	<u>\$ 18,437</u>